

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7204

BILL NUMBER: SB 382

DATE PREPARED: Jan 6, 1999

BILL AMENDED:

SUBJECT: Funding for courts.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures		30,400,000	60,700,000
Net Increase (Decrease)		(30,400,000)	(60,700,000)

Summary of Legislation: This bill requires a county to deposit court fees in a court fund established by the county instead of depositing them in the county's General Fund. It provides that the costs of: (1) paying for judges' salaries, office expenses, and personnel; (2) providing adult probation, juvenile detention, juvenile probation, and public defenders; (3) operating the county clerk's office; and (4) certain other court related expenditures shall be paid from the Court Fund if they are not paid from the Family and Children's Fund.

It provides that each county will receive a monthly distribution from the state beginning in 2000 for deposit in the county Court Fund. It specifies that each county's distribution is equal to the 1998 court costs paid from the county's General Fund and attributable to property taxes plus 10%, less the fees and excise taxes allocated to the fund.

It makes a continuing appropriation from the State General Fund to make the distributions to counties.

It also provides for a decrease in the county General Fund maximum property tax levy of each county to eliminate the portion previously dedicated to courts.

Effective Date: January 1, 2000.

Explanation of State Expenditures: Under this proposal, the State Tax Board could adopt rules to govern the type of expenditure that would be paid out of the Court Fund and which fees must be deposited into the Court Fund. The bill allows the Tax Board to adopt emergency rules for this purpose.

This proposal requires the state to make a distribution to the counties' Court Funds each year beginning in CY 2000. The distribution is equal to the CY 1998 county court expenditures plus 10%, less fees and excise taxes. The CY 1998 statewide county court expense is estimated at \$131 million. An increase of 10% produces a CY 2000 expense estimate of \$144 million. When reduced by estimated fees and excise tax of \$64.5 million, it is estimated that the state distribution will be equal to about \$79.5 million in CY 2000 and future years. The state may also make supplemental distributions as they are appropriated in the state budget.

The \$79.5 million reduction of the county maximum levy (as explained in Local Revenues) will reduce the state's expense for property tax replacement credit (PTRC) and homestead credit. PTRC would be reduced by about \$15.9 million and homestead credit would be reduced by about \$2.9 million for a total reduction of \$18.8 million.

PTRC and homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any savings of PTRC and homestead credit expenditures would ultimately benefit the state General Fund.

The net state expenditure increase under this proposal is estimated at \$60.7 million per year beginning in CY 2000. This amount does not include any supplemental distributions

Explanation of State Revenues:

Explanation of Local Expenditures: Under this proposal, each county would establish a Court Fund. Money in the fund would be used to pay the county's share of all court costs from each circuit, superior, probate, county, and municipal court that are not paid from the Family and Children's Fund. Court costs include:

1. Judges' salaries and expenses;
2. Court personnel costs;
3. Adult probation;
4. Juvenile probation;
5. Juvenile detention;
6. Public defenders;
7. County clerks' offices;
8. Supplemental juror fees; and
9. Court established alcohol and drug services programs that are not paid from user fee funds.

These expenses would no longer be paid from the county General Fund.

Explanation of Local Revenues: Revenues deposited in the county Court Fund would include court related fees, fishing and hunting license fees, state distributions and miscellaneous revenues, including excise tax and financial institutions tax. There would be no property tax levy for this fund. Total CY 2000 county Court Fund revenue is estimated at \$144 million, of which \$79.5 million is estimated to be state distribution. The base state distribution to the fund will remain the same in future years. However, the state may make supplemental distributions as they are appropriated in the state budget.

The State Tax Board would be required to reduce each county's CY 2000 maximum levy by the amount that the county receives in CY 2000 state court distributions. Total CY 2000 county revenues would not change under this proposal. In years beyond CY 2000, the amount of supplemental distributions appropriated in the state budget will determine whether total county revenues are affected.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: Counties, Courts.

Information Sources: Local Government Database; *1997 Indiana Judicial Report, Vol. I.*